

BRITISH AFFAIRS

A QUARTERLY REVIEW

A EUROPEAN FREE TRADE ASSOCIATION
TRENDS IN BRITISH INDUSTRY
OVERSEAS PRIVATE INVESTMENT

THE NEW AFRICA — by Sir Andrew Cohen

BRITISH TEACHERS IN AMERICAN SCHOOLS
COVENT GARDEN OPERA HOUSE
FIRST FLIGHT TO EUROPE

THE RADCLIFFE REPORT
BOOK REVIEWS

VOL. III, NO. 3 — SEPTEMBER 1959

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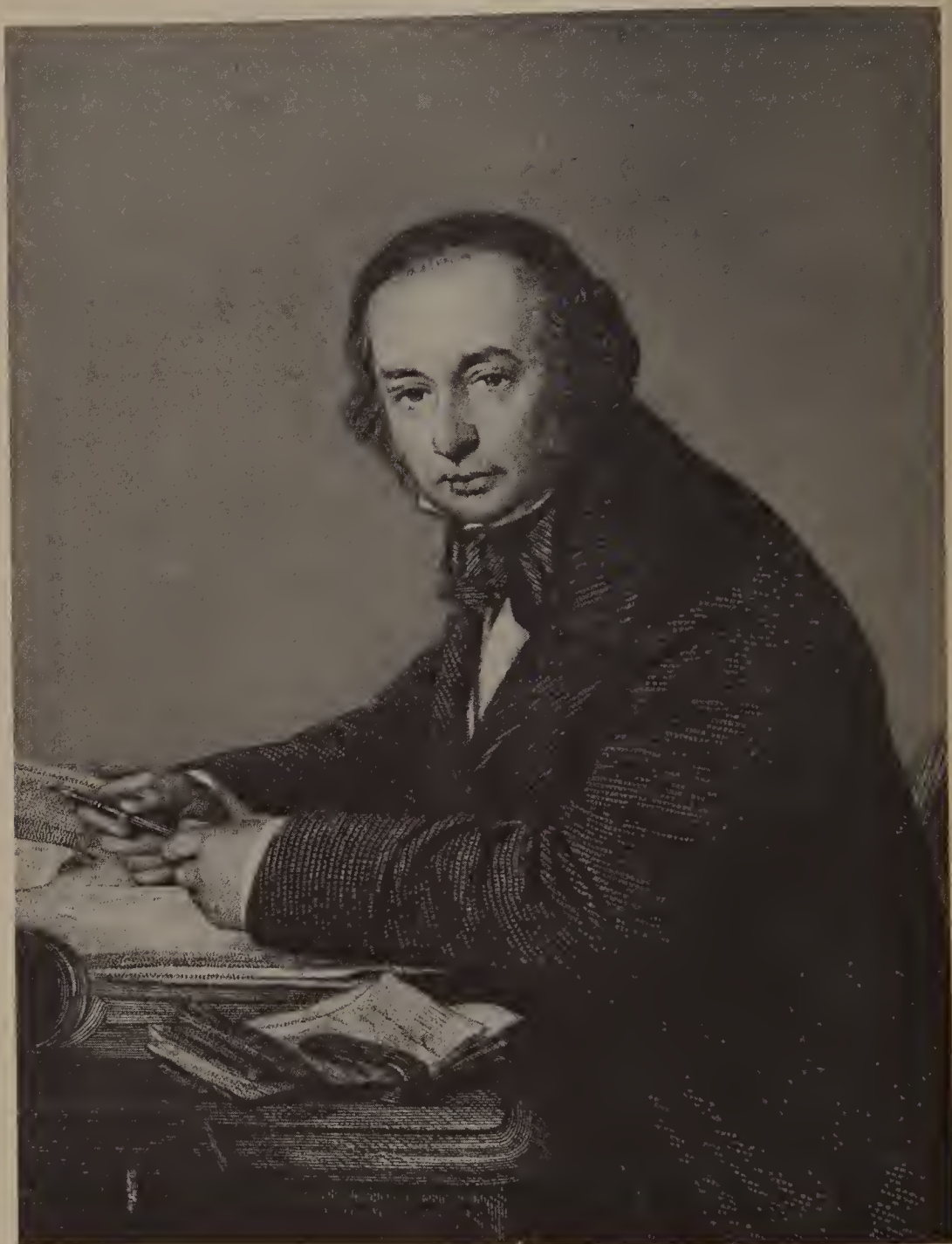
British Affairs

British Affairs for September 1959 goes to press just after the date of the General Election has been announced. An account of British electoral procedures was given in the March 1959 issue.

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A special contribution to this issue is an article on colonial problems by Sir Andrew Cohen, Britain's representative on the United Nations Trusteeship Council. Sir Andrew came to New York in 1957. Previously he was Governor of Uganda. He was also Head of the African Division of the Colonial Office. In that capacity he played a key part in drawing up the Constitution of the Gold Coast—later to become the independent State of Ghana. For all his wide experience, Sir Andrew at 50 years of age is one of the younger administrators. His recent book "British Policy in Changing Africa" is reviewed in the book section of this issue.

Other contributors include *Paul Bareau*, Financial Editor of the London News Chronicle; *Harold Rosenthal*, Author and Commentator on Music; and *Sir Vincent Tewson*, General Secretary of the Trades Union Congress, who contributes a brief note on the ideas behind the Trade Union Movement.



I. K. Brunel
Pioneer of Civil Engineering
1806-1859

Isambard Kingdom Brunel

1806-1859

One hundred years ago, on September 15 1859, one of Britain's greatest engineers died at the early age of 53.

Brunel was born on April 9 1806, the only son of Sir Marc Brunel an engineer of French origin who had settled in England. Isambard, at only nineteen, was his father's assistant in building the Thames Tunnel begun in 1825. It took nearly 20 years to complete. In 1831, while work on the tunnel was suspended, I. K. Brunel devoted himself to new civil engineering projects where his success made him the peer of the other great engineer of the early 19th century—Thomas Telford, who died in 1834. His design for the suspension bridge over the Avon Gorge at Clifton, near Bristol was acknowledged by Telford as better than the one he had himself submitted. The bridge is still there.

Early in 1833 Brunel began the survey and building of the Great Western Railway. The main line still follows the course he laid down. The Box Tunnel, 3,212 yards long, was the longest then driven. His railroad bridges and viaducts were aesthetically pleasing as well as practical—and are still in use. The Saltash Bridge in Cornwall, England is the greatest of them. It embodies two spans, each 500 feet in length and weighing more than 1000 tons. The foundations lie 80 feet below high water. Opened 100 years ago, it still carries the heaviest main liners.

Brunel designed the first steamship built specifically for the Atlantic crossing—the "Great Western" of 2,300 tons. She sailed from Bristol on April 8, 1838. He designed the "Great Britain"—the first steamship to be built of iron and to be propelled by screw as well as paddles. He designed the monster 18,915 ton "Great Eastern", which made its maiden voyage in 1860. Although not successful commercially, and out of scale with anything then afloat, this ship was entirely sound mechanically and structurally. It was the basis of much future development.

The ships have vanished, but monuments remain to this great pioneer to whom civil engineering all the world over owes so much of its inspiration.

“Sixes and Sevens”

A European Free Trade Association*

by

Paul Bareau

After a two-day meeting in Stockholm the Ministers of seven European countries, Britain, Sweden, Denmark, Norway, Austria, Portugal, Switzerland, agreed that within less than a year, by July 1 1960, they should be united in a European Free Trade Association. The speed with which the discussions on this project have been brought to this promising stage is a happy omen. There has been a common purpose inspiring the negotiations and they have prospered accordingly.

The genesis of the discussions among the seven is to be found in the breakdown last December of the wider project for a European Free Trade Area and in the need that was then felt by the countries of OEEC, other than the six which had formed the Common Market, to take stock of the consequences of this breakdown in the earlier negotiations. In particular they had to seek ways and means to compensate in expanding trade between themselves any loss that might be suffered as a result of discrimination against them by the Common Market. Secondly, and more positively, they refused to accept defeat of the Free Trade Area project and wished to establish by agreement among themselves a better basis from which to resume negotiations with the Common Market.

THE STOCKHOLM GROUP

The participants in what has become known as the “Stockholm Group” were those seven countries who thought they could agree rapidly on a free trade area in which all the members could accept the full range of obligations. They recognized that the remaining OEEC countries (Greece, Turkey, Iceland, the Irish Republic and now also Spain) had special problems which required special solutions. The intention was not to create a new economic bloc in Europe but, on the contrary, to facilitate the bringing about of a wider association covering all 18 members of OEEC—the Stockholm Seven, the six of the EEC and the five less-developed countries with their particular problems.

*“The Stockholm Draft Plan for a European Free Trade Association” has been issued in London as a White Paper. It is obtainable from B.I.S. Sales Section (18¢ + 5¢ mailing).

AGRICULTURE IN THE FTA

The intention all along has been to restrict the free trade arrangements to industrial products and to leave agriculture and food to special and for the most part bilateral agreements between the countries concerned. As a consequence it became evident early on that Denmark would provide a special problem in that it was a large exporter of agricultural products with markets both in the Common Market and in the proposed Free Trade Association. This problem was taken a long way toward solution as a result of discussions between Denmark and Britain which provided that, in the event of a Free Trade Association being formed, Britain would make substantial concessions in its imports of Danish agricultural products. Similar discussions have taken place between Denmark and other countries such as Sweden and Switzerland. Furthermore, Denmark has been assured as a result of discussions with Western Germany that the important outlet for Danish produce in the Common Market will not be endangered as a result of Denmark joining the Free Trade Club.

OPERATION PLANS

With this special problem out of the way all was clear for the ministerial meeting in Stockholm (on July 20 and 21). It was there agreed that a European Free Trade Association should be formed. The participating governments are to go ahead with the task of drawing up a convention which is to be ready for signature by the end of October. This is then to be submitted to the Parliaments of the countries concerned and may come into effect by mid-1960.

TRADE PATTERNS IN WESTERN EUROPE (1956 figures)

	<i>\$ million</i>	<i>percentage of total exports</i>
Exports of the EEC*		
—to each other	6,433.6	40.4%
—to the rest of Western Europe	4,900.4	24.4%
Exports of the rest of Western Europe		
—to each other	3,594.3	21.7%
—to the E.E.C.	3,822.5	23.1%

Source United Nations—"Direction of International Trade 1953-56" quoted from the Committee for Economic Development Policy Statement "The European Common Market and its meaning to the United States."

*The European Economic Community—official title of the six country association based on the Treaty of Rome and referred to as the Common Market.

This convention will provide in the first place for the removal of trade barriers such as tariffs and quotas on industrial products in stages of which the first will be a 20 per cent cut in tariffs on July 1 next year. The timing of this proposal and the timetable of the subsequent demobilization of trade restrictions are important in that they are geared to the comparable timetable of the Common Market. *Here is the best evidence of the desire among the members of the proposed Free Trade Association to make it as easy as possible in due course to link the proposals for freeing trade between the seven with those of the six and to extend them in the long run to the whole membership of OEEC.*

There are to be special agreements on agriculture and trade in fish. These are products which, even in the Common Market, are to be made subject to various controls since agriculture is protected in virtually every country in the world. These arrangements will have to be made largely as a result of bilateral negotiations. The vigor with which the Danish problem has been tackled is highly promising.

The European Free Trade Association convention will make detailed proposals for the institutions that will administer the agreements. These will be as simple as possible. The governing body will be a Council of Ministers whose decisions, if they involve new obligations, will have to be unanimous, though there may well be provisions for majority decisions in other cases.

The officials who will soon be getting down to the problem of drafting a convention will also have to devise rules of fair competition and for the identification of goods that will qualify for Free Trade Association treatment. These rules are required because, unlike the members of the Common Market, those of the European Free Trade Association will not have a common tariff in their trade with the rest of the world.

THE UNITED STATES, THE EUROPEAN COMMUNITY
AND THE REST OF (OEEC)* EUROPE

Percentage of total U.S. Exports 1956	
—to the Economic Community	17.2%
—to the rest of OEEC	11.1%
Book value of U.S. direct investments in Western Europe (December 1957)	
—in the Economic Community	\$1,555 million
—in the rest of OEEC	\$2,373 million†

† of which \$1,899 million represents investment in Britain.

(Sources—U.S. Department of Commerce, Bureau of the Census).

*Footnote: OEEC—the Organization for European Economic Cooperation. Set up in 1948 to administer and “follow-up” the Marshall Plan, it is the principal economic association embracing Western Europe. Seventeen member states including the six nations in the Economic Community.

These technical issues, important as they are, must be regarded as matters of detail. Agreement will certainly be reached on the project which, in the words of the Stockholm communique, is intended "to strengthen the economies of its members by promoting expansion of economic activity, full employment, a rising standard of living, and financial stability." All these objectives, moreover, will be sought not by an inward looking protectionist and restrictionist policy but in an association which will look outward and which will be dedicated to the freeing of restrictions on trade, not only among its own members but with the outer world. As a first step in this direction the group of officials who will draft the convention will also be charged with the task of planning the next stage—negotiations for the establishment of a wider association—with all OEEC countries—after the convention has been signed.

Sixes and Sevens

The Six:

(Belgium, France, Germany, Italy, Netherlands, Luxemburg)

- Joined together in the European Economic Community set up under the Treaty of Rome, 1957. Effective 1959, when first internal tariff cuts (10%) were made.
- Common Market (i.e. one without customs barriers between its members) to be established progressively over 12-15 years (i.e., by 1970-73).
- At end of that time a common tariff will be established against goods from outside the Market.
- Quota restrictions on trade within the Market to be abolished over the transitional period.
- Special institutions will be set up to foster the integration of the six economies in a number of related fields.

The Seven:

(Austria, Denmark, Norway, Portugal, Sweden, Switzerland, Britain)

- Preliminary plans for joining in the European Free Trade Association agreed at Stockholm (summer 1959), following failure of negotiations for association with the Six.
- European Free Trade Area to be established progressively over 10 years by cutting tariffs 20% by July 1st, 1960, and by 10% in each of the years 1962 to 1970.
- There will be no common external tariff against outside countries.
- Quota restrictions on trade within the Association to be abolished over the transitional period.
- The institutions will be designed to meet the requirements of smooth administration of the trade system and to ensure cooperation between the members. They will be as simple as possible.

The Third Quarter

Every year, as a rule, Britain awaits with some foreboding the coming of the "third quarter". It is not that the "third quarter" is the time when armies traditionally have marched (both the world wars started in this quarter); rather it is the fear that, owing to the pattern of trade and payments throughout the sterling countries, this is the time that Britain tends to have a payments deficit and so to lose gold. This year it is different. Armies of a sort are marching—the army of tourists—and the holiday exodus from Britain used to be quite a serious factor in the balance of payments; but today the invading armies of vacationers more than balance the scale, and Britain is earning rather more from "tourism" than her people spend in going abroad.

But more important is the fact that this year, no financial crises or lesser setbacks have darkened the "third quarter". The pundits were quite ready to face some setback because of what had come to be regarded as the customary seasonal influences on sterling at this time of the year. In fact the gold reserves have continued to rise, so have exports, and although the import bill is certainly bigger, it is no bigger than would have been expected because of Britain's own upsurge of industrial output so far this year. The main economic indicators are set out opposite.

During the quarter the fourth of a new series of bi-monthly reviews of the economy was issued. Its broad conclusions are set out on page 118. Also, the Council on Prices, Productivity and Incomes set up more than a year ago as an independent body to review the course of the economy and to report upon it, made their Third Report. The two earlier reports called the attention of the British public to the great dangers of inflationary pressure and the need not only to slow down, but to halt inflation even at the cost of some expansion of the industrial base. The Third Report is markedly more optimistic. It finds that the most striking feature of the past year is that the index of retail prices stood no higher in June of this year than in June 1958 and was only one point higher than in November 1957. It is something quite new, the Report declares, in British post war experience, that retail prices should be steady for so long and it takes the view that stability will continue for some time. It finds that by the close of this year the economy as a whole will be running about 4% above the level of a year ago. Rises in output have led to lower unit costs and the Report makes a plea that these should be passed on to the consumer.

ECONOMIC INDICATORS

BRITISH GOLD AND CONVERTIBLE CURRENCY RESERVES

September 1957	\$1,850 million
March 1959	\$3,139 million
June 1959	\$3,172 million
August 1959	\$3,250 million

FOREIGN TRADE
(Monthly Averages: £ Million)

	<i>imports c.i.f.</i>	<i>exports f.o.b.</i>
1958 (full year)	312.5	264.3
1959 first quarter	313.6	263.4
second quarter	327.8	281.8

TRADE WITH DOLLAR AREA
(Monthly Average: £ Million)

(Figures in brackets indicate trade with U.S.A. alone)

	<i>imports c.i.f.</i>	<i>exports f.o.b.</i>
1958 (full year)	65.5 (29.2)	46.6 (22.7)
1959 first quarter	60.9 (27.1)	47.6 (25.8)
second quarter		

INDEX OF INDUSTRIAL PRODUCTION* (1954=100)

	<i>all industries</i>	<i>manufacturing only</i>
1958 monthly average	106	107
1959 January	107	108
March	109	109
June	110	115

*Seasonally adjusted.

INDICES OF PRICES AND WEEKLY WAGE RATES

	<i>Retail</i> <i>(1956-100)</i>	<i>Wholesale</i> <i>Manufactured Products</i> <i>(1954-100)</i>	<i>Weekly</i> <i>Wage Rates</i> <i>(all workers)</i> <i>(Jan. 1956-100)</i>
1958 monthly average	109.0	111.1	114
1959 January	110.4	111.7	116
March	110.3	111.9	117
June	109.3	111.3	117

A summary of the fourth "Economic Review" issued by the (British) National Institute of Economic and Social Research (July 1959) is given overleaf. ➡

ECONOMIC TRENDS

Recovery at home

The pace of recovery is faster than expected. Industrial production is rising rapidly; by May it was 5 per cent above the middle of last year. Unemployment is back to the June 1958 level, but employment is not; it has risen much less rapidly than production, and so output per man, particularly in manufacturing, has gone up sharply. Since wages have been comparatively stable in 1959, labor costs per unit of output in manufacturing must now be falling, leaving room for higher profits or lower prices.

The main forces behind the rise have been higher consumer spending, (accompanied by a renewed spurt in consumer debt) and, more recently, a sharp and unexpected rise in exports. Other types of spending have not changed much.

The rise in consumer spending should continue, since the full effects of the Budget have yet to be seen. Although fixed investment appears not to have risen in the first quarter, it is still expected to rise during the year. The increase in public investment has been slow in getting under way but new housing is picking up sharply.

The recovery has been marked in vehicles, electrical engineering, and building, and modest in textiles and clothing. It has not yet spread to shipbuilding or mechanical engineering (which is heavily dependent on investment demand). Steel output is rising; but the demand for coal shows no recovery as yet.

Recovery abroad

Recovery is now under way in western Europe as well as the United States. The exports of primary producing countries have stopped falling, but have not yet started to rise. The increase in British exports—judging from April/May figures—has been largely to industrial countries. Cars, capital goods, and chemicals account for the rise. Practically all the increase in car sales was to North America, which has been taking nearly half as many cars as the total British home market.

Imports in the first half-year were 6-7 per cent higher than a year earlier; about half of this is due to the ending of de-stocking, half to higher consumption. By commodity, oil accounts for roughly half the rise. There were also appreciable increases in imports of food and finished manufactures.

In general, the balance of payments outlook for the whole sterling area remains favorable. The third quarter seasonal deterioration may not be severe this year. The overseas sterling area's export earnings should be on an upward trend; and Britain's non-sterling exports, which do not drop much in the third quarter, are a larger part of the total than they were.

In the last issue, Lord Cromer surveyed the causes, especially Governmental measures, contributing to Britain's startling economic recovery since the financial crisis of the summer of 1957. But, as always, Britain's future depends on production and trade—on expanding export markets. How British industry is meeting this challenge is discussed in this article.

New Trends in Industry

Britain's total industrial production is estimated to have increased by more than 50 per cent during the last 20 years. The net output of manufacturing industry rose by about 75 per cent between 1946 and 1955. From then until this year the credit squeeze has held down expansion. In 1959 industrial output is expected to rise by 4 per cent.

But figures like these convey nothing of the change of structure and pattern of British industry—which is the outstanding feature of Britain's post-war economy. The fact is that these production increases reflect a changed pattern of production based on the exploitation of new technical opportunities.

THE CHANGING PATTERN OF INDUSTRY

The engineering industries, for instance, have very nearly doubled the value of their output during the last 20 years or so. But engineering has not been the fastest growing industrial sector. The chemical industry recorded a slightly greater expansion. The total value of the output of the chemical industry, however, is only something like one-fifth of that of the engineering industries.

The percentage share of mechanical engineering in total manufacturing output has gone up by half since before the war—a considerable change, because this was already a large industry. The vehicles industry has increased its share almost as much, largely as a result of development in aircraft and road vehicles. The remarkable development in electronics has resulted in a five-fold growth in the size of the electronics industry, now the second largest in the world.

At the end of 1957, the engineering industries provided 40.8 per cent of Britain's exports compared with 25 per cent pre-war. Britain's share in world trade in electrical machinery has risen from a tenth pre-war to a quarter, in passenger cars from a sixth to more than a quarter, and in tractors from a twentieth to more than a quarter.

“NEW” EXPORTS

The Board of Trade has provided some illuminating evidence about the extent to which the new pattern of production has contributed to the expansion of foreign trade. It distinguishes between three classes. First, “new” exports—those products whose pre-war exports were too insignificant to be shown in trade returns. Secondly, “virtually new” exports whose pre-war turnover was less than £10,000 (\$28,000) a year. And thirdly, “greatly expanded” exports whose increase compared with pre-war has been more than twenty-fold.

The engineering and chemical industries have made a major contribution in the development of “new” exports. There has been the spectacular rise of the exports of radar, radio and navigational aid equipment, in the face of mounting competition from electronics industries of other manufacturing countries while the chemical industry’s shipments of chemicals, drugs and pharmaceutical products, including insecticides, have increased at a very rapid rate in the post-war period.

In the “virtually new” exports group it is again the engineering products which feature most prominently. Exports of diesel engines for commercial vehicles multiplied by 33 between 1948 and 1956. British manufacturing capacity of equipment for the oil industry today ranks second in size only to the United States, despite the complete absence of a home market for this type of machinery.

Outstanding examples in the list of “greatly expanded” exports are domestic electrical appliances of all types, excavators and other types of contractor’s plant, and office machinery, agricultural machinery, and cars.

What we have been witnessing in Britain (and it is a process which is still continuing) has been a *shift of resources*, both physical and manpower, into manufacturing, and within manufacturing, into engineering, metals, chemicals and those “scientific” industries where the most rapid progress is possible. And the term progress is used here not merely to signify technological advance but also a greater volume of production. In recent years, output in these industries has been growing more rapidly than that of other industries so that their relative importance has grown. But the technology of the more traditional industries, such as steel, is also advancing all the time.

INCREASED CAPITAL INVESTMENT

Production and exports are only part of the story of competitive strength. The more important factor is the *level and the rate of growth of investment*—and of investment in manufacturing, in particular. The net value of fixed assets in United Kingdom manufacturing industry today

is about double what it was in comparable prices before the war. In 1948, the value of capital formed in manufacturing exceeded the pre-war peak of 1937, and since then the volume of privately financed investment in manufacturing has risen by more than 75 per cent.

It is estimated that almost 40 per cent of total fixed assets (buildings, plant and machinery) are less than ten years old: the productive capacity of the manufacturing industry is estimated to have risen by at least two-fifths during the last ten years. In assessing these estimates one must bear in mind that the damage which Britain suffered during the last war amounted to not more than five per cent of the 1938 volume of assets, while in consequence of the demands of war production, the quality of much of the manufacturing plant and equipment improved. Thus the increase of two-fifths is all the greater because it does not relate to the low starting point at which some other war-stricken economies had to resume peace-time operations.

It should be noted that none of the data used in making these investment estimates include British investment abroad. Since the war, Britain has made substantial investments out of her own resources in the Middle East, and in the mines and industries of the Commonwealth, at a rate of £200 million (\$560 million) per year, equal to one per cent of her national income and in most recent years the rate has been rather higher.

Let us revert to particular industries and look at them more closely.

Machine Tools — Britain's machine tool industry is small in terms of the nation's output, but it has expanded fast. Output of machine tools rose from £6 million (\$16.8 million) in 1935 to £40 million (\$112 million) in 1950 and £95 million (\$266 million) in 1957.

Oil for the Lamps of Britain

Only a fraction of Britain's oil needs come from indigenous sources; annual consumption runs at over 30,000,000 tons, while production from indigenous sources is only 600,000 odd tons.

The bulk of Britain's requirements is met by the refining of imported crude oil. The major oil companies in Britain have just completed a ten year refinery expansion program costing over £250,000,000 sterling (\$700,000,000). This program has increased Britain's oil refining capacity from a low of 5,000,000 tons in 1948 to over 35,000,000 tons in 1958.

The real increase in output since 1950 was of the order of 50 per cent. The value of the capital employed in the industry trebled between 1948 and 1957. Today, British machine tool manufacturers supply a much higher proportion (around 70 per cent) of the needs of British industry than in pre-war days. But its overseas markets are also substantial and the industry exports about one-third of its output.

Nuclear Power — For three years the world's first large-scale nuclear power station has been operating at Calder Hall. And Britain has now embarked on an extensive ten-year nuclear program to develop 6,000 MW of electricity in this way by 1967. The generation of 6,000 MW would save 10,000,000 tons of oil. The first four stations are already being built for the Electricity Authority by private firms.

But the capacity of conventional power stations, too, is being rapidly increased. Higher rates of thermal efficiency reflect the technological progress made by the heavy electrical industry in recent years. Average thermal efficiency of coal-fired stations rose from 20.91 per cent in 1947-48 to 25.51 per cent in 1957-58 as new and bigger plant was brought into use. Twenty stations containing much of the newest plant had an average efficiency of 29.14 per cent.

Electronics — Every five years since 1945 the electronics industry has been doubling its output. It employs more than 200,000 people, and its annual output is worth some £340 million (\$952 million). Of this, exports amount to more than £43 million (\$120.4 million). The U. S. is Britain's biggest overseas customer, while the largest European markets are in Holland and Sweden. Key items are television and radio sets, complex production control equipment, nuclear instruments, and data-processing equipment and computers.

Oil Refineries — A major refinery industry now forms part of Britain's industrial potential. Between 1947 and 1958, refining capacity was raised from 2.5 million to nearly 40 million tons. The smallest of the vast new plants is capable of refining nearly as much oil as the entire British refining industry in 1947, and the largest at present in operation can process about 6 or 7 million tons annually. The refineries are making available, through their by-products, the raw materials for the petro-chemicals industry which today is Europe's largest.

Agricultural Machinery — In 1958 tractors and other agricultural machinery worth almost £100 million (\$280 million) were sent abroad. Today, the agricultural machinery industry ranks fifth in importance among the United Kingdom export industries. Before the

war the manufacture of agricultural equipment was a minor industry in Britain. Today, as well as tractors, the more accurate and effective grain and fertilizer drill, the mounted loader, and forage harvester, the pickup baler, and the combine harvester with its pickup reel, have changed the domestic agricultural scene—and the export market. Exports represent two-thirds of the total output and are being sent to 140 countries.

In terms of value, Britain exports more agricultural machinery than any other country in the world. At home these new tools have been the main factor in raising productivity in British agriculture over the last two decades. Output in 1958 was 63 per cent higher than in 1938, yet the labor force was slightly smaller. And yields per acre of wheat and barley have increased by about 40 per cent.

FUTURE TRENDS

What of the future trend of costs and prices of Britain's manufacturing industries? Will they be able to stand the blast of unfettered competition if and when trade in Europe is carried on without tariffs and quantitative restrictions? There is one generalization which can properly be made about the competitive strength of British industry. It will become even greater by further specialization. And specialization implies the expansion of those industries in which Britain has a comparative advantage, and the contraction of those in which she has a comparative disadvantage. This process has been going on since the war and is continuous. It is the best evidence of a live industrial and business community—and one that has a future.

Fusion

While the prospects of deriving useful power from experiments with thermonuclear reactions have receded, the world's scientists are probing into the new field of "plasma physics" which the earlier experiments have opened up. In the U.S. and in Soviet Russia experiments with the equipment are going ahead. So too in Britain. The work on "Zeta" is being supplemented by work on a new device, "I.C.S.E." or "Intermediate Current Stability Experiment." Sir William Penney, in charge of the experiments, said: "There will not be another machine like this. This will be one of the four or five new machines in the world (in this field), two or three in America and one or two in Russia. This will be our contribution."

The New Africa, The United States And The Western World *

by

Sir Andrew Cohen

When I joined the Colonial Office nearly thirty years ago the British press very rarely referred to Africa and a parliamentary question about one of my territories was an occasion. When I came to the United States as a Commonwealth Fellow under the Harkness Foundation in 1938 to study some of the problems of the South-Eastern States, few people here took much interest in Africa. I remember being grilled at Tuskegee at a students' meeting about West Africa and the West Indies. The questions were sharp; it turned out that nearly all those present were West Africans or West Indians.

GROWTH OF INTEREST IN AFRICAN AFFAIRS

Now in the 1950s everything is quite different. African affairs figure largely in the British press and are a major issue in Parliament and one of the biggest subjects for parliamentary questions. Here in the United States the growth of interest is remarkable. Speakers on Africa are in great demand. In San Francisco I found a group of young businessmen and lawyers giving up an evening a week for eighteen months to make a serious study of African problems under the aegis of the World Affairs Council of Northern California. African programs at the universities are proliferating. Whole issues of magazines are devoted to Africa and there is almost an African page of the New York Times. Hardly a week passes without me advising one of my American friends on the people and places to see on a projected African tour. In Washington both the Administration and the Congress are concerning themselves more and more with African affairs and the importance of these to American foreign policy is increasingly felt. Living in New York and occasionally visiting other parts of the United States, I can almost see American interest in Africa and knowledge of its problems growing before my eyes.

*Certain material in this article first appeared in Sir Andrew's recent book *British Policy in Changing Africa* published by Northwestern University Press, which is reviewed on page 156.

AFRICA ENTERS WORLD SCENE

What is the reason for this? I believe that in essence it is the extraordinary political advance which has taken place since the end of the last war. At that time nearly the whole of Africa was dependent. The African territories as a whole had little contact with the outside world or indeed with each other. Now practically the whole of the northern part of the continent is independent or approaching it. In West Africa Ghana and Guinea have become independent states; Nigeria, a federation of nearly 40 million people, as well as French Togoland and the French Cameroons, will gain independence next year. Sierra Leone has internal self-government; the majority of the French territories have chosen this status within the French Community by a plebiscite conducted on a secret ballot and with universal adult suffrage.

On the other side of Africa in Kenya, Uganda and Tanganyika Africans, who sixteen years ago had no place either in the Legislatures or in the Governments, have advanced rapidly and are now increasingly making their weight felt in politics. All three countries have Africans on their Councils of Ministers—three each in Uganda and Tanganyika; in Uganda Africans are in the majority in the Legislature and in Kenya and Tanganyika they have substantial elected representation. To the Congo the Belgians have promised independence and the provincial and central political institutions of that huge and rich country are now being built up.

Over this whole vast area of Africa which I have described the change which has taken place during the last fifteen years could hardly have been more striking. It is a change built on the foundations of patient, unspectacular work in administration, medicine, education and economic development over fifty years or more, but none the less it is a complete transformation and in historical terms one of unparalleled speed. The moth in all its splendor has emerged from the chrysalis.

WESTERN IMPACT ON AFRICA

What in a few words has caused this transformation? Some people like to think that it is world opinion which has forced the administering powers to grant independence. World opinion, through the United Nations and outside it, has had its influence, but has not in my view by any means supplied the main initiative. Other people, ranging into the world of fantasy, have seen Communist influence behind the move to independence. Those who believe that would believe anything. The Russians are of course now taking a great interest in Africa, but neither communism nor the fear of it has had any part in the process of advance.

Timetable of Independence (1947-1959)

<i>Country</i>	<i>Became Self-Governing</i>	<i>Population At That Time</i>
India	August 15, 1947	347,340,000
Pakistan	August 15, 1947	70,103,000
Burma	*January 4, 1948	17,500,000
Ceylon	February 4, 1948	6,633,000
Eire	*April 18, 1949	2,952,000
Gold Coast (Ghana)	March 6, 1957	4,548,000
Malaya	August 31, 1957	6,250,000
Singapore†	June 3, 1959	1,461,000
TOTAL		456,787,000
FORECAST		
Nigeria	October 1, 1960	34,634,000
GRAND TOTAL		491,421,000

* Became self-governing outside the Commonwealth.

† Internally self-governing only.

The changes have been brought about by two factors, on the one hand the policy of the Colonial powers and on the other African nationalism—they are closely interconnected and arise from the impact of the West on Africa in Africa itself.

In the territories which we administer it is the British officers—administrators, agricultural officers, doctors, educators, engineers and many others—who have been the spearheads of progress. They, with missionaries, businessmen, African chiefs and increasing numbers of educated and trained Africans, have supplied the dynamic force. But more recently African nationalist movements have also been playing an important part in the process of change, by organizing the mass of the people, spreading the desire for advance and applying the pressures which have contributed to its achievement.

Nationalism in Africa owes its origin partly to the intense desire of Africans for equality with others both as individuals and as nations, but also partly to Western ideas, above all, the idea of progress. It could not exist without the education we have provided, which brought knowledge of the outside world and the desire for political freedom, or without the economic development we have promoted, which contributed to the breakdown of the old African societies and to the creation of a middle class, the traditional source of nationalist activity.

ISSUE OF POLITICAL INDEPENDENCE ALREADY SETTLED

Some people in Britain attribute the great political advances in Africa to our own wisdom, whereas nationalists tend to put down all progress to their own successful struggle for freedom. I believe that the advances made have depended neither solely on the action of governments nor solely on the pressure of nationalists, but on a combination of both. Nationalist spokesmen sometimes describe the present scene in Africa as a struggle between nationalism and colonialism—a struggle in which, they say, the United States should throw its weight behind the nationalists. I think it natural that they should take this line, but I do not think that the picture is an entirely correct one.

Tribalism where it exists is likely to be a more lasting obstacle to nationalist aspirations than the attitude of colonial powers, as has been shown by experience in some parts of Africa already. A still more important point, as we have seen, the issue of political independence, has been largely settled already either in fact or in principle over the greater part of the continent; in West Africa by the grant or forthcoming grant of independence in British territories and by the fact of self-determination in French territories; in East Africa and the Belgian Congo by the promise of self-government or independence on the basis of parliamentary institutions.

A QUESTION OF TIMING

There are of course differences—and sharp ones—between nationalists and the administering powers in countries which have not yet gained their independence. One of the main differences is likely to be on the question of timing. The nationalists must press for quicker progress than the colonial power is prepared to concede, because it is their business to oppose the whole system of colonial rule. Sometimes they ask for “self-government now” even when they know that the transition is bound to take time. This is politics and should be treated as such, not put down to ignorance or original sin. Some people think that the question of timing can be settled by fixing timetables, or target dates in United Nations terms; this is questionable, as target dates are likely to be just as controversial as the more empirical approach. The question of timing is in any case one of method rather than principle so long as a reasonable pace is maintained; and we believe that we by our actions have amply demonstrated that we intend to maintain a reasonable pace.

RACIAL ADJUSTMENT

The only question of principle arises where problems of racial adjustment have to be solved in countries with settled European and Asiatic communities established in them; among countries where the United Kingdom has responsibilities that means particularly Kenya and the Central African Federation, which includes the British Protectorates of Northern Rhodesia and Nyasaland. Race problems are not the monopoly of African countries, nor of countries which have yet to attain their independence; in principle they are essentially the same in metropolitan countries, including the United States itself. In the conditions of Kenya, Northern Rhodesia and Nyasaland the problems are specially difficult because on the one hand of the great preponderance in numbers of Africans over others and the attitudes which follow from this, and on the other hand of the predominance at present of Europeans, and of Asians also, in economic enterprise, the present dependence of the territories for their national wealth and government revenue on this enterprise, and the fact that Africans, through no fault of their own, are in general much behind Europeans in education, experience, technical and professional skill.

In this short article I cannot go in detail into the problems of Kenya, Northern Rhodesia and Nyasaland — problems not only political, economic and social but essentially also problems of human relationship. But the realistic view of the task which confronts these countries may be described as follows: *practical steps must be taken to expand African education and promote economic advancement for Africans as part of the general programs of development, while at the same time all sections of the population must be encouraged to accept the right of everybody whose home is in these countries to take part in their life and development, the Europeans recognizing the inevitability of African advance and contributing to it through their own efforts and skills, the Africans accepting the value to these countries and to themselves of the specialized skills, experience and energy of Europeans and others.*

In 1960, conferences organized by the British Government are expected to take place both in Kenya and Central Africa to work out the next steps in this great process of racial adjustment. Africans as well as others will of course take part in these conferences. Many difficulties lie ahead in this process; the nature of the problem which faces these countries and the British Government will be more clearly appreciated in the United States if it is understood first that these difficulties spring very largely in Kenya and Central Africa from racial tensions and fears rather than their not yet being independent, and secondly that we and

Continued on p. 130

Steps Toward Independence

Each of the dependencies has its own executive, legislature and judiciary. All are, at different stages on the way to self-government.

Although circumstances vary widely from territory to territory, and there cannot therefore be a uniform procedure for political development, a certain broad pattern is discernible.

- | | | |
|---------|--|--|
| Stage 1 | <i>Legislative Council</i> | The Legislative Council consists of senior Government officials and a minority of leading citizens (unofficials) nominated by the Governor. |
| Stage 2 | <i>Legislative Council</i> | An elected element is introduced and increased until it forms a majority and finally replaces altogether the appointed members on the Council. |
| | <i>Franchise</i> | At the same time, the franchise may be progressively widened, either by removing income or other qualifications or by replacing indirect elections by direct elections. |
| | <i>Executive Council</i> | Parallel changes are introduced in the composition of the Executive Council. At first wholly official, its membership is progressively widened. Some of the elected members, by being made responsible for groups of government departments, gain experience in the formulation and execution of policy. |
| Stage 3 | <i>Executive Council</i> | Later, the elected members, as Ministers, are given a majority in the Executive Council, which becomes the main instrument of policy. |
| Stage 4 | <i>Executive Council
and
Legislative Council</i> | Finally, the officials who sit on the Legislative and Executive Councils by virtue of their posts (ex officio members), e.g., Financial Secretary, are withdrawn from these bodies. |
| Stage 5 | <i>Executive Council
or
Cabinet</i> | Full self-government is attained, with the Executive Council or Cabinet composed wholly of Ministers drawn from the legislature which itself is wholly elected, when the Governor's reserve powers are withdrawn. |

the people of these countries are trying to achieve exactly the same goal of successful racial adjustment that Americans are trying to achieve in different parts of the United States.

FROM SCATTERED TRIBES TO MODERN STATE

I have spoken of the political advances in Africa in the last fifteen years; the general transformation during the last hundred years has in its way been equally remarkable. Three generations ago not only were these countries largely cut off from the outside world and each other, but they consisted mainly of collections of tribes or isolated village communities at the mercy of drought, disease and inter-tribal raiding, without the benefit of education or health services and with little prospect of changing these conditions. The impact of the outside world has brought many strains, problems and abuses into Africa. But it has turned these collections of tribes into countries going forward to nationhood under modern economic and political systems.

We have given the African territories law and order and a settled existence; we have given them roads, ports, railroads and airways; we have provided water supplies; we have introduced and spread the growing of cash crops on a very large scale; we have improved cattle keeping, forestry and fisheries; we have developed trade and increased the national wealth for the benefit of the people through mining and industry; we have greatly reduced the death rate and improved the health of the people; we have built up and are steadily expanding a system of primary and secondary schools, have established technical and vocational institutes and set up several university colleges.

CONTINUING NEED FOR OUTSIDE ASSISTANCE

We have every right to be proud of what we have achieved, but it would be foolish not to recognize how very much remains to be done both in countries which are still dependent and in those which have recently become independent. Outside assistance in the form of capital and personnel will be needed for many years to come; fortunately this is recognized by local public opinion, which is anxious to get this aid so long as the terms on which it is given are mutually acceptable. The improvements which are needed cannot be made in a day; they will take years to accomplish. In dependent territories, which we want to leave as strong as possible when they get their independence, the tasks of economic and social development have a special urgency because we only have limited time in front of us. But newly independent countries also need outside assistance. The social and economic problems

which face them are not solved by independence, nor can the grant of independence be delayed until they have been solved.

Outside assistance, whether in the form of finance or the supply of personnel, should not be treated as a continuing subsidy of the recurrent costs of government services. It should be designed as an injection from outside at key points of the economy and social structure to stimulate the development of national wealth, in the first place so that the country can support the expansion of public services and development of all sorts and can attract private capital from outside, and later so as to help increase its economic strength to the point where it "takes off" economically and can sustain its economic growth largely from its own savings and resources. Countries granting aid have the right to expect that receiving countries will themselves contribute adequately to their own development and take measures to ensure that aid is efficiently used and benefits the country and the public generally and not simply one privileged class.

AID BEST SUITED TO AFRICA

The best use for aid must obviously depend on the needs of each country; but in general the following fields are particularly suitable:

1. *Loans for basic utilities*

The building up of the basic services of a country—communications, power, water supplies, etc.—is a matter in Africa mainly for government, because private capital looks to a quicker and higher return than public utilities can provide. For this purpose the African countries will need help in the form of loans from outside governments or the International Bank.

2. *Loans for economic projects*

Government or public loans may also appropriately be used to supplement or support private investment in industrial, commercial, agricultural or mining projects.

3. *The promotion of research*

Help from outside is bound to be needed for developing research services, because the African countries themselves can only be expected to produce a small number of highly trained scientists at the present stage, given the competition which exists in them for the services of their best brains. Research is of interest to the world at large and is therefore a peculiarly suitable field for outside aid.

4. *Education in the widest sense*

The most important part of building a nation is the production of leaders; without an educated and efficient local leadership in public

Britain's Aid to Underdeveloped Areas

1958-1959 disbursements—Actual expenditure in grants and loans by British Government (excluding military aid but including \$56 million released through International Bank) \$322 million.

Colonial Development and Welfare Acts—\$56 million a year is on average dispersed by the British Government for essential development projects. \$390 million has been earmarked for projects in a five year scheme ending 1964.

"Exchequer loans" to Colonial Governments—Although Colonial Governments usually raise loans on the London market, \$300 million is being made available over a five year period by the British Treasury to meet cases where necessary development does not attract the necessary private capital.

Colonial Development Corporation—Set up in 1958. It has raised about \$300 million for investment mainly in the production of tropical products. Its borrowing powers are established by statute at \$450 million.

Government-to-Government loans—In 1958-59 \$108 million was loaned to India and Pakistan, \$14 million to the Sudan.

Colombo Plan technical assistance—\$25 million pledged for technical training programs extending between 1956 and 1963.

International Bank for Reconstruction and Development—Britain the largest subscriber outside the US. Sterling subscription is \$260 million which has been drawn on by the Bank at the rate of \$60 million a year over past four years.

International Development Association—Britain is to join in working out a scheme to be operated under the International Bank. A capital of \$1,000 million has been suggested. On plans so far discussed Britain would contribute 14% of the total to be subscribed by all the United Nations.

Private investment in 1958/59—Was estimated at \$600 million of which half went to underdeveloped countries.

Facts from the debate on aid
to underdeveloped areas: House of
Commons 20 July 1959.

life, administration and economic affairs the progress of the African countries is bound to be slowed down, because there is a limit to what can be achieved by an outside body of administrators and managers whether in dependent or independent countries. Educational aid is a form of pump-priming to all other development; it can appropriately take the form of the supply of qualified teaching staff or of finance for universities, technical and vocational institutes and teacher training. Any scheme which helps to train Africans for a wider participation in commerce and industry will be of particular benefit in redressing the unbalance at present existing in this field between Africans and others.

ROLE OF OUTSIDE ADMINISTRATOR AND SPECIALIST

In the period, which in some cases may not be a short one, while sufficient numbers of local people are being trained for positions of leadership, outside administrators and specialists have an essential part to play both in government, in business and in the professions and teaching; indeed the retention or replacement of these is one of the greatest practical problems of newly independent countries. In the business and professional fields these needs may often be met by contract arrangements. In public administration, both general and economic and financial, an international civil service may help to fill a most important gap; but such a service to be effective must be established on a long term basis, to enable it to recruit first class staff and to create a sense of continuity and esprit de corps.

BRITISH AND COMMONWEALTH CONTRIBUTION

Who will provide this aid which the African countries so greatly need? To serve in the countries we administer Britain has for many years recruited administrative and technical personnel of all kinds. We have also given the African territories access to loans on the London market and since the war we have made very large grants for economic and social development. These forms of aid will continue until independence. Thereafter technical assistance will be given to those countries which want it; for example an agreement to supply technical assistance to Nigeria after independence has just been entered into. Loans will also be available after independence under the Commonwealth Assistance Loan scheme.

Plans for mutual help between Commonwealth countries in research and education are being worked out; Britain and Canada in particular are ready to increase substantially the number of scholarships which they give for higher studies. Newly independent countries will continue, I am sure, to look to Britain to a considerable extent; but they will also look

elsewhere, in particular to the United States. The United States has already given valuable help to the African territories; the need is steadily growing and, among other schemes, the Development Loan Fund seems to be a particularly well suited instrument for expanding aid to Africa.

INTERNATIONAL AND MULTI-NATIONAL AID ORGANIZATIONS

African countries will also wish to go to the United Nations, which has already helped them under the technical assistance program and will, we hope, give grants for surveys of development projects under the newly established Special Fund. The establishment of the United Nations Economic Commission for Africa, although it is not itself a channel for aid, may well stimulate this process. Loans have already been made from the International Bank to East Africa, Central Africa and Nigeria. If an International Development Association is established, as has been suggested in this country, and could make untied loans on easy terms, this would be specially useful for the type of project, frequent in African conditions, which is only likely to produce a full return after a period of years.

But, important and valuable as international assistance is increasingly likely to be, the amount of finance and personnel coming from sources connected with the United Nations will probably not do more than meet a limited part of the needs. Bilateral aid will, I believe, have to be used to a very large extent and, since newly independent nations are sometimes nervous of arrangements which their public opinion might regard as colonialism in a new form or economic imperialism, the working out of mutually acceptable aid relationships between giving and receiving countries becomes specially important.

It may well be that for this purpose public opinion in Africa would welcome the establishment of some form of multi-national aid organization, under which a group of countries from outside Africa would join with African countries in a broad plan designed to promote economic and social development. The actual aid projects under such a plan could be bilateral as in the Colombo Plan, or at any rate mainly bilateral, and the organization could be made responsible for coordination, exchange of information and stimulation of interest in the countries associated with the scheme.

OVERRIDING NEED FOR WESTERN COOPERATION

Whatever the right form of aid relationship, the problem of aid to Africa seems to me so great, so urgent and so important that it needs to be tackled by the Western world as a whole in cooperation with the African countries concerned. What in fact is the Western world's interest

in aiding Africa? I believe that we have three essential interests. The first is humanitarian—to help the peoples of these countries to carry forward the task of development undertaken by the administering powers during the last two generations. The second is economic—our need for raw materials from Africa and our wish to trade with these countries and to supply them with the capital and consumer goods which they require in increasing measure. The third is political—to help these countries to remain stable and friendly to the Western world. The African countries themselves are determined to press on with development. They want to trade with us and sell us their raw materials. They have embraced Western ideas and ideals and they are anxious to remain friendly to us, although they want aid to be given—and we should give it—without military or political strings. In fact the interests of the Western world and of the African countries in this whole relationship are broadly the same.

US AND BRITAIN—A COMMON PURPOSE

Not only that; the interests of the United States and Britain are also broadly the same. We have a cooperative job to do in aid to the African countries; a good example of this is the joint enquiry now being carried out into the long term needs for higher education in Nigeria by a highly qualified committee consisting of Britons, Americans and Nigerians. To do this cooperative job we must understand each other's points of view; we must also clearly understand the attitude of the African countries and the nature of the political and other changes which have taken place and are still taking place in Africa. For this reason we very greatly value the growing interest in Africa on the part of the United States and the steadily increasing knowledge of African problems in this country.

British Dependent Territories
Area and Population
(with some comparisons)

	<i>Area (thousand square miles)</i>	<i>Population (million)</i>
UK Dependencies	1,819	74.7
United Kingdom	94	51
United States	3,022	151

Since 1947 the number of people under British rule has shrunk from over 500 million to 75 million. Most countries obtaining independence have elected to remain within the Commonwealth. The Commonwealth embraces about one quarter of the world's population.

The extent to which industrial corporations and private savers invest overseas was considered in the December 1958 issue. New estimates are now available on the movement of private capital over the years; still newer and fuller statistics are being sought by the Government. In this article from H M Treasury an attempt is made to assess, on the basis of material so far available, the flow of private investment in and out of Britain.

Overseas Private Investment— A Two-Way Street

In the seven years to 1958 outgoing private investment from Britain averaged £330 mn. a year. Inward private investment from other countries to Britain averaged £130 mn. So Britons were net investors abroad on private account to the extent of about £200 mn. Their net investment in the sterling area was only a little less than this. There were also private capital exports from Britain to outside the sterling area, mostly Canada, but they were largely offset by incoming private capital, mostly from the US; the annual average, both ways, was something over £100 mn.

HOW FREE IS THE FLOW?

In the flow of capital there are two main types of transaction. The first is *direct investment*, involving active participation in industry and usually controlling policy and profit distribution; this type of investment may take place through the re-investment of locally-earned profits or through the export of capital equipment rather than the transfer of cash. The second type is *portfolio investment*, the purchase of securities for interest and dividends, and perhaps for capital gains, but not normally associated with control.

British residents may transfer capital freely for both types of transaction to other sterling countries. Direct investments are allowed in non-sterling countries if they are genuine market transactions to establish or acquire a controlling interest and seem likely to benefit the sterling area. Portfolio investment in non-sterling securities is not allowed, except by money raised from selling other non-sterling securities, e.g. through “switch dollars.”

Direct investment in Britain by overseas firms is also virtually free of control, with no restriction on the repatriation of capital or profits. Portfolio investment by non-sterling residents is permitted; it cannot be repa-

triated across the exchanges, but the proceeds of any sale, called "security sterling," may be used to buy other long-dated British securities.

PRIVATE INVESTMENT—TO AND FROM BRITAIN
(£ mn.)

	1952	1953	1954	1955	1956	1957	1958	Total 1952-58	Annual Average
Rest of Sterling Area									
Outward	-169	-212	-221	-182	-221	-261	-187	-1,453	-210
Inward	+ 19	+ 22	+ 41	+ 72	+ 31	- 19	- 13	+ 153	+ 20
Net	-150	-190	-180	-110	-190	-280	-200	-1,300	-190
Non-Sterling Area									
Outward	- 88	- 77	-110	-140	-210	-140	-113	- 878	-120
Inward	+ 58	+ 57	+ 70	+120	+200	+150	+123	+ 778	+110
Net	- 30	- 20	- 40	- 20	- 10	+ 10	+ 10	- 100	- 10
All Areas									
Outward	-257	-289	-331	-322	-431	-401	-300	-2,331	-330
Inward	+ 77	+ 79	+111	+192	+231	+131	+110	+ 931	+130
Net	-180	-210	-220	-130	-200	-270	-190	-1,400	-200

HOW BIG IS THE FLOW?

There are big statistical difficulties in measuring capital movements to and from overseas. Apart from problems of definition, many of the available figures are inadequate in their coverage; in particular, estimates of re-invested profits, as well as of investment in kind, are available only in a few cases. There are also serious problems in the collection of data (the British Government recently announced measures which should lead to a considerable improvement in the available figures in this field).

The Totals. — Broad estimates of the movements of total long-term private investment to and from Britain are given in the box. The gross outward movement 1952-58 was some £2,300 mn. rising fairly steadily up to 1956 but falling back in the last two years probably as a result of the credit squeeze and world recession. The inward movement—totalling about £930 mn.—appears to have moved similarly. The net outflow therefore totalled £1,400 mn., or £200 mn. a year.

Sterling Area.—Gross British investment in the same period totalled about £1,450 mn.; the inflow (which stopped in 1957) was about £150 mn. p.a. The net outflow was therefore around £1,300 mn., or £190 mn. a year. This included Commonwealth Government issues on the London market subscribed from private sources; issues by sterling

area public corporations and public companies; and portfolio and direct investment, including the re-investment of locally earned profits such as those made by the oil companies.

Commonwealth Countries.—For a country breakdown of capital movements between Britain and overseas the main source is the information published by the countries themselves. In many cases, however, the information available is inadequate largely because the figures cover re-invested profits only in a few cases. Total private investment from all sources in the *Colonial Territories* (mostly direct investment including re-invested profits) rose from £56 mn. in 1955 to £100 mn. in 1956, and to £114 mn. in 1957; more than half is estimated to have come from British sources.

British private investment in the *Federation of Rhodesia* (including Rhodesian Government borrowing on the London market of some £10 mn. a year but excluding re-invested profits) has averaged about £25 mn. a year in the last few years.

Comparable estimates for *Australia* (but including re-invested profits) show a steady increase in British investment, mainly direct investment in Australian industry, with the total reaching over £50mn. a year by 1957; in the few years before 1957 London market loans were negligible. The scale of British private investment in *New Zealand* is far smaller; direct investment, including reinvested profits, runs at about £6mn. a year, and London market loans have averaged about £10mn.

Indian balance of payments figures of capital transactions with Britain indicate very little movement of funds; but separate investigations by the Reserve Bank show that the value of U.K. investments in India increased by about £12 mn. between 1955 and 1956, and at the end of 1956 were valued at £305 mn. out of a total of foreign-owned assets in India of £380 mn.

South African official estimates of foreign-owned capital assets show Britain to be the largest single investor. Out of a total of direct investment of over £800 mn. at the end of 1956, Britain was responsible for £556 mn.; and in addition Britain has long-term portfolio investments amounting to some £300 mn.

Direct British investment in *Canada* has averaged about £30 mn. a year. (The figures excludes re-invested profits; allowing for these and for other factors the total value of British direct investments in Canada increased by about £45 mn. a year). Up to mid-1957 purchases of non-sterling securities were possible through sterling area "free" markets; and in fact they rose sharply towards the end of 1956 and the first half of 1957, accounting for a big increase in portfolio investment. Canadian investment in Britain is small.

	(£ mn.)			
Britain to Canada	<i>1954</i>	<i>1955</i>	<i>1956</i>	<i>1957</i>
Direct	28	25	36	24
Portfolio	11	11	43	47

Bringing these estimates together, the total of British private investment in the Commonwealth would appear to be well over £ 150 mn. a year.

U.S. Capital.—According to private estimates* there are about 400 United States subsidiaries and Anglo-American firms engaged in British manufacturing industry. They employ about 375,000 people, some 4 per cent. of the labour force in manufacturing, and may have accounted in 1957 for 5½ per cent. of the gross output of manufacturing:

	(£ mn.)				
U.S. to Britain	<i>1954</i>	<i>1955</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>
Direct (net flow)	5	12	99	56	21
Undistributed profits	31	45	30	46	n.a.
Total	36	57	129	102	n.a.
Portfolio	1	14	38	19	—9

Direct investment rose particularly sharply in 1956 (because of the exceptional purchase of a British oil company) and in 1957. In 1958 it fell back, reflecting a decline in United States direct investment throughout the world because of recession at home and in world industrial activity. Portfolio investment also rose steeply in 1956, but has declined rapidly since then, and provisional figures indicate a net disinvestment in 1958. Britain also invests in the U.S.:

	(£ mn.)				
Britain to U.S.	<i>1954</i>	<i>1955</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>
Portfolio and direct investment other than U.S. Government securities	46	34	61	44	—13

Other Non-sterling. — Statistics on British capital transactions with other non-sterling countries are virtually non-existent. There is certainly a two-way flow with Western Europe — particularly close capital links exist with the Netherlands, for example — and British investment in Latin America, especially the oil-producing states, is important. There is probably a small net outflow on these other non-sterling transactions taken together.

*J. H. Dunning, "The American Stake in British Industry," *The Times*, April 22 and 23, 1959.

Whether it is the construction of a nuclear power station in Scotland or a complete steel mill in India, British firms are joining together to pool their know-how, streamline costs, and offer a "package" deal covering all phases of construction from drawing board to finished product.

The British Consortium — Helping Overseas Nations To Develop

The decision of so many countries hitherto largely dependent on the export of primary products like tea or butter or raw materials such as rubber or jute, to industrialize themselves as fast as possible has exposed the world shortage of capital and of experienced managers, engineers, and technicians of all kinds.

One development designed to meet this shortage is the "consortium"—an organization in which firms specializing in different aspects of industry group together to submit tenders for new projects.

ADVANTAGES OF POOLING RESOURCES

This team work by private firms is specially helpful to less developed countries because, by pooling resources, it reduces costs, thus economizing capital. Most important, it brings to the customer varied managerial and technical experience in industrial and construction planning and processes.

The consortium also offers—and this is a great attraction—the group's guarantee that the project will be completed within an agreed period and also to a specified standard of performance.

In less developed countries, huge projects, perhaps for an entire new steel works or a new railway, may be initiated by officials who have no first hand knowledge of industry. A contract with a British consortium is therefore particularly attractive to them because once the preliminary investigations are over and the tender accepted, they are relieved of all responsibilities. They can get on with their normal jobs until the new project is handed over to them on the due date as a complete working concern—a "package deal," as it were. All they have to do is to "turn the key" to unlock the door and start off. This is why consortium contracts are often called either "Turnkey" or "Package" deals.

A "Turnkey" deal ensures complete co-ordination of vast and complex schemes. Expert on-the-spot advice is available at all stages of construction from the specialist firms which make up the consortium, each one

of which is usually responsible for some major part of the project—one undertaking construction, another all electrical plant, and so on. This may be of particular importance when the customer is a government whose departments are faced with complicated estimating problems.

EXAMPLES OF BRITISH CONSORTIA

British consortia, covering every kind of project, are to be found in many parts of the world including Soviet Russia. For example:

The Indian Steel Works Construction Company, a group of 13 British manufacturing, electrical, structural, and civil engineering firms, is building for the Indian government in a £100 million (\$280 million) deal an entire steel plant with an annual capacity of 1,250,000 tons. The “package” includes three batteries of 78 coke ovens, each carbonizing 5,200 tons of coal daily, three 27-foot diameter hearth furnaces, with output of 1,250 tons daily each, rolling mills, a wheel and axle plant, and a central power station—all ready to go.

Rustyfa Ltd., a group of six firms, is building for the Soviet government at a cost of £15 million (42 million) a tire factory in the Ukraine to produce 2 million tires a year.

British Refinery Constructors, a group of 23 oil equipment manufacturers, have secured in the face of the keenest French, German, and Italian competition a contract for a minimum of £4 million (\$11.2 million) worth of equipment for a new refinery to be built near Rio de Janeiro for the Brazilian government.

British consortia are also responsible for nuclear power stations and reactors in Britain and Italy, hydro electric dams in New Zealand and equipment for the St. Lawrence Seaway.

BRITISH ALSO JOIN FOREIGN GROUPS

British consortia are now actively tendering for a variety of projects including a nuclear station in Japan, and wharves, bridges, waterworks, city development, textile mills, paper and pulp mills, scientific and industrial laboratories, in Europe, Asia, Africa, and North and South America.

British companies have also joined foreign groups. One of the larger consortia in the Middle East is the Iranian Construction Group, which, formed to undertake the £20 million (\$56 million) Gach Saran-Kharg Island project for the Iranian Oil Exploration and Producing Company, consists of two British, two Canadian, and two Dutch firms. The project includes a 95-mile pipeline of which 25 miles is under sea at a depth of 150 feet, a harbour, oil loading jetty, tankage and storage plant.

British Teachers In American Schools

A party of one hundred British schoolteachers arrived in New York during August. They have come to the United States to teach in American schools during the next school year and their places in British schools have been taken by American teachers. This is the fourteenth year of the interchange of teachers scheme in its present form, and some 2,800 teachers have been involved since the interchange was launched in 1946.

All kinds of teaching posts are exchanged and every year the range of exchanges is very wide. Teachers and lecturers from kindergartens, grade schools, junior and senior high schools, colleges for the training of teachers, schools for the handicapped—in fact, from schools and training colleges of all kinds—trade jobs for a year with their British counterparts. Most of the schools and colleges are in the public systems of education, but every year a few teachers from British independent schools are exchanged with teachers from American private schools. The scheme in fact takes in all sorts of schools below the university level.

HOW IT IS ORGANIZED

Administrative arrangements in the United States are in the hands of the Office of Education, Department of Health, Education and Welfare, and the program is part of the United States International Educational Exchange Program of the Department of State. The National Advisory Committee for the Exchange of Teachers advises the Office of Education on problems and questions affecting the program. In Britain, the British Committee is composed of representatives of the education departments of England and Wales, Scotland, and Northern Ireland, representatives of the education authorities who employ the teachers, of the teachers associations and of the English Speaking Union.

British teachers who want the experience of a year in a US school apply early in the preceding school year and are interviewed by the Committee for the Interchange of Teachers (there are separate committees in Scotland and Northern Ireland). If the candidate comes from a school in the public system he must of course have the approval not only of the school but of the local authority which employs him. If he works in a private school he needs the approval of his school to undertake the work abroad. The school must agree in any event to accept the American teacher who will eventually be selected for the exchange. In the United States, local committees assist the Office of Education in screening and inter-

viewing applicants. None of the committees have specific qualifications in mind. There are no formal age limits, but candidates under 50 usually have preference. All are expected to be experienced teachers whose performance during the school year will be characteristic of the best in their country's education.

WHO TEACHES WHERE

When the candidates on both sides of the Atlantic have been selected they must be matched. This can be a long and difficult process because each exchange must be as professionally similar as possible for only teachers with comparable training and experience can be paired. Sometimes the pairing is complicated because one of the selected candidates has decided personal preferences—he wants a rural rather than an urban school, or a post in one part of the country rather than another. Sometimes the exchanges offer great contrasts — between Colorado Springs, for instance, and the bustling port of Liverpool; Ponca City, Oklahoma and the ancient university city of Cambridge, or metropolitan Chicago and rural Gloucestershire. British teachers have been on exchange all over the United States and American teachers have taught in every part of England, Wales, Scotland and Northern Ireland.

While on exchange each teacher continues to receive his own salary from his own school. The British teachers in addition each receive a grant from the British government towards the expenses of the year abroad, so that they need not be at a financial disadvantage beside their American colleagues. Both the British and the American teachers receive grants towards their travel expenses from the American government out of Fulbright funds.

Sometimes not only jobs are exchanged, but houses too, and this has often been the case when a married teacher has brought his family with him.

Often, the exchange teachers become fully members of the local community. An exchange teacher is rarely just a class teacher. He or she usually quickly becomes a rather special person in the life of the school, in the school system, and in the community. The educational results of such exchanges may be difficult to evaluate, but it is undeniable that the teachers themselves find the experience enormously stimulating and enriching.

British drivers won nine out of the ten Grand Prix International (auto races) last year, and British cars eight of the ten.

—New York Times Magazine, August 23, 1959.

The British are not thought to be a musical people. Yet there has been opera at Covent Garden since 1732. Today, as the home of both the Royal Ballet (formerly the Sadlers Wells Ballet Company) and the Royal Opera Company, whose repertory of 50 operas includes 6 recent British works, Covent Garden has never served music and music-lovers better.

Covent Garden Opera House

by

Harold Rosenthal

On May 15 1958 the Royal Opera House, Covent Garden, celebrated its hundredth birthday. That is, the present building was 100 years old, but both Covent Garden and its operatic connections go back much further for there has been a Covent Garden theatre on the same site since 1732, when John Rich opened the Theatre Royal, Covent Garden, with a performance of Congreve's *The Way of the World*, following it a few nights later with *The Beggar's Opera*.

THE FIRST "CONVENT" GARDEN

Rich built the first Covent Garden on a site of land belonging to the Duke of Bedford from whom it was leased. It had once been church land, in fact it was a convent garden (hence the name). When Henry VIII dissolved the monasteries he gave this particular piece of land to the Bedford family, in whose possession it still is. Indeed today there is still a private box in the opera house called the Bedford Box, which cannot be entered from the front of the house but has its own special entrance in the same street as the stage door. Rich, in addition, had in his possession 'Letters Patent,' originally granted by Charles II to the famous actor William Davenant, which empowered the holder to erect a theatre 'within our cities of London and Westminster or the suburbs thereof.' Hence the use of the word Royal in the theatre's title.

The life of the first Covent Garden Theatre was not primarily an operatic one though there was a short period in the 1730s and 40s when Handel was closely associated with the theatre and a number of his most famous works, including *Atalanta*, *Alcina*, and *Berenice*, received their first performances there.

THE ROYAL ITALIAN OPERA

On September 19 1808 the first Covent Garden was burnt down. The second theatre opened almost a year later to the day, September 18 1809. Again, the life of the second house for the most part was that of a straight theatre, though in 1826, under Kemble's management, Weber was invited to compose an opera for the theatre and the result was *Oberon*, which had its premiere on April 12 1826, with the composer conducting. In the 1830s, too, there were a series of operatic performances with Malibran singing in *Fidelio* and *Sonnambula*. It was not until 1847, however, that the theatre became a permanent opera house.

The events that led to the establishment of Covent Garden as the Royal Italian Opera are too complicated to enter into fully here. Briefly, the sole home of opera in London until 1847 was Her Majesty's Theatre in the Haymarket. There, with Michael Costa as conductor, and a company that included such fabulous singers as Grisi, Persiana, Mario, Tamburini, and Lablache, opera was given every year from March to August. Following several differences with the management, Costa and several leading singers decided to set up a rival Italian opera in London and finding the lease of Covent Garden available in the autumn of 1846, took it, opening the house for opera the following April with a performance of Rossini's *Semiramide*.

In 1851 the management of the theatre was taken over by Frederick Gye who made opera pay for a time. Between 1846 and 1856, the year the second theatre was destroyed by fire, Covent Garden saw the first performances in England of *Rigoletto*, *Il Trovatore*, *Le Prophete*, and *L'Etoile du Nord*.

THIRD AND PRESENT OPERA HOUSE

The fire that destroyed the second theatre occurred on the night of March 5 1856. It was just over two years before the third and present Covent Garden opened, on May 15 1858, with a performance of Meyerbeer's *Les Huguenots*, with Grisi and Mario in the cast. The opera never reached its end for it was well after midnight before the third act was finished and there was still an act to go. And as it was already Sunday morning the puritanical Victorian audience demanded that *God Save The Queen* be sung, instead of the last act of the opera!

In aspect the building has changed but little during the last hundred years. Crimson and gold are still the dominating colors of the auditorium; and Queen Victoria's profile still looks down on the house from above the proscenium arch. Gone, however, is the large chandelier; and, as times and audiences have become more democratic, the number of private boxes has become less and less.

PATTI, VERDI, AND MELBA

The Gye regime in the new house continued until the 1880s, when Ernest, who had succeeded his father, was the manager. Grisi had retired to be succeeded by Patti; Rossini and Donizetti had been replaced by Verdi; and *Faust* had become more popular than *Les Huguenots*. By 1886 the standard of performance had fallen very sharply and attendances had suffered accordingly. Everyone thought that Italian opera in London was doomed. Then in 1887 Augustus Harris, a sheriff of the City of London and musical amateur, gave an experimental season of opera at Drury Lane with the De Reszkes as his stars. This was so successful that in 1888 he took the lease of Covent Garden.

ROYAL OPERA HOUSE

Between 1888 and 1896 Covent Garden enjoyed one of the most glorious periods in its history, with the De Reszkes, Melba, and Nordica. Operas were sung in their original tongue and the word Italian was dropped from the theatre's title—it became, as it is today, the Royal Opera House.

Harris died suddenly in 1896, and from then until 1924 the theatre was controlled by the Grand Opera Syndicate with various managers and directors including Maurice Grau and Andre Messager. In 1908 and 1909 the great German conductor, Hans Richter, gave memorable performances of *The Ring* in English and started a plan for a permanent English opera which unfortunately came to nothing. In 1910 Beecham gave his first season there and between then and 1914 produced *Elektra*, *Salome*, and *Rosenkavalier* for the first time in London.

BETWEEN WARS

During the First World War the theatre was used as a furniture repository. In 1919 Beecham reopened the house, but by 1920 he was in financial difficulties and withdrew from opera until 1932. There followed the short but glorious period of the British National Opera Company; then from 1924 to 1931, short but brilliant summer seasons by international stars, with Bruno Walter, Lotte Lehmann, Frida Leider, Elisabeth Schumann, Lauritz Melchior, Friedrich Schorr, and many others, giving great performances of the German repertory, and Pampanini, Panselle, Gigli, Pertile, Pinza, and Stabile, in Italian works.

In 1932 Beecham returned. Between then and 1939 there were again short but brilliant seasons, notably of Wagner, Mozart, and Rossini, with the unforgettable Conchita Supervia, Tauber, Kipnis, Rethberg, and others. Such ballet as there was was given by the De Basil Russian

Ballet, though at a special Gala performance in March 1939 for the French President the Sadler's Wells Ballet was invited to dance at Covent Garden for the first time. Few, if anyone, present could have thought that in less than ten years the opera house would be its permanent home.

HOME FOR BRITISH BALLET

It will thus be seen that, until 1939, Covent Garden's history was made up of brilliant operatic memories. There was no sense of continuity, however, and but few attempts to establish a permanent British operatic tradition. Indeed it has only been since 1946 that, slowly but surely, the true traditions of Covent Garden have been emerging. British Ballet in the Royal Ballet Company is firmly established; its foundations were laid by Ninette de Valois, first at the Old Vic, then at Sadler's Wells, and since the war at Covent Garden. The native opera company, however, has had to start from scratch and to expect a native operatic tradition to emerge in just over ten years is surely expecting too much.

A LAND WITH MUSIC

Yet, if the truth be told, the standard of many of the opera repertory performances at Covent Garden today is higher than in many traditional centres of European opera; and the splendid productions in recent years of *Don Carlos*, *Lucia di Lammermoor*, *Jenufa*, *The Trojans*, and *The Ring*, have probably few, if any, equals anywhere in the world.

Our European neighbors and our friends across the Atlantic are now coming in ever increasing numbers to Great Britain to visit Glyndebourne or Edinburgh. When they also visit Covent Garden, which is rather reticent in advertising its wares overseas, they are agreeably surprised at what they see and hear. It has taken a long time to live down the idea that was certainly current until the last war that England is a 'land without music,' as the Germans used to say.

Perhaps Covent Garden can be persuaded to sell its wares in the overseas market. The idea of a spring-summer Festival in London of opera and ballet on the lines of the Vienna or Munich Festivals is one that should be seriously contemplated by our authorities.

NEW BRITISH OPERAS

By the beginning of the 1958-9 season there were about fifty operas in the repertory. Six British works have enjoyed world premieres, including *Troilus and Cressida*, *Gloriana*, *Billy Budd*, and *The Pilgrim's Progress*. The late Erich Kleiber gave many memorable performances between 1950 and 1953, including the English stage premiere of *Wozzeck*; and

since then the Wagner-Strauss performances under Rudolf Kempe have reached a very high standard. British and Commonwealth singers have been emerging who can now take their places on the stages of foreign opera houses — Sylvia Fisher, Joan Sutherland, Jon Vickers, Geraint Evans. The subsidy from the government has slowly but surely increased and if financially there is still room for even a larger subsidy at least the theater is not now in imminent danger of closing.

The present administration, headed by David Webster, the Earl of Harewood, and Dame Ninette de Valois, is planning ahead. And there is every reason to expect that the second hundred years of the present Covent Garden should not only be full of memories but of first class work and new experiments.

“THE COWS SIMPLY LOVE THEM”

As Major Bramley tells it, he had for a long time been trying to find a substitute for straw. “Not only is present-day straw inferior in quality — combine-cut straw is too short — but it is expensive. In England it costs about \$30-\$40 a year per cow.” He kept on experimenting until he hit “on this.” “This” is a solid foam plastic filling encased in a particularly thick durable and flexible vinyl covering. These mattresses easily accept a 1,200 pound cow poised on four small sharp hooves. Also they withstand heat, cold, moisture and rough usage.

“The cows simply love them,” claims Major Bramley. “They never want to get up.

As a cow’s milk yield is geared in direct ratio to the length of time sitting or lying down, with a clearly measurable drop for every quarter-mile walked, this is a strong selling point. Other important advantages claimed for mattresses over straw are cleanliness, saving and labor costs, saving in cost of straw, and health.

In any event, Major Bramley speaks as an expert. He has spent nine years following his own advice and the yield of his herd of 84 Friesians, at 768 gallons per acre, is more than three times the national average.

At the moment the mattresses are being turned out in small quantities by the Major. They cost around \$36.50 each—roughly the price in England of a year’s supply of straw, but the mattresses have a life of at least two years and probably far longer. Plans are to set up a special factory in England. In the U.S., if they catch on, they will be made under license since Major Bramley has patented his invention.

The history of the British Trade Union Movement is one of pioneering endeavor. Today, powerful, responsible and democratic, the British unions can and do help directly and by example the newer labor movements growing up overseas.

Lessons Of British Trade Union Development

by

Sir Vincent Tewson

The British Trade Union Movement is not for export. Any democratic institution must develop in the climate and the problems of the territory in which it has to serve. But wherever they are, particularly in the newly emerged nations, young trade unions can learn basic lessons from the historic struggle of the British Trade Union Movement.

The roots of the British Trade Union Movement go back more than 150 years. Its history is a saga of devotion and struggle. In it there is self-sacrifice and splendid endeavor. All the same, right from the start, the approach has been intensely practical and down to earth.

Pioneers fought first of all for *legal recognition* of the right to organize and, when that was won, for the *right to represent their members*. This early history is as thrilling as any in man's record, and with all honor to those pioneers who made their names as leaders, let us admit, as they would themselves, that it was the countless thousands slogging away with a missionary spirit of service and sacrifice who created the solid foundation on which succeeding generations have built.

UNIONS IN THE COLONIAL TERRITORIES

For younger Movements abroad these are the salient lessons. This long fight paved the way for the growth of the Movement as a democratic institution recognized throughout Britain and influential far beyond our shores.

Because trade unions today in Britain are strong, democratic, and responsible, the unions in the 35 territories still linked within the Commonwealth have one less fight to face. They do not have to struggle all over again for the right of freedom of association. Further, both sides of industry in Britain sponsor at home and abroad the right of established unions to represent, to consult and to negotiate.

There is still exploitation in many under-developed countries but the

worst offenders are those to whom British industrial practice means nothing. In British territories associations of British employers encourage stable trade union organization by affording channels of consultation on matters of broad principle with the central trade union body and, in some cases, within specific industries. There is, of course, a long way still to go but insofar as decent industrial relations are being encouraged in the overseas territories, this development flows from the long struggle in Britain. To that extent the basic battle for the principle of recognition has not to be fought all over again by the younger Movements overseas.

THE TRADE UNION "BOSS"

Trade unions can only grow and flourish as they fit the needs of those who are the members and the industries and the territories where they live and work. But everywhere, stable democratic trade unionism depends on the spirit of devotion and selflessness of people with vision and with a sense of service to their fellow men. In Britain the term "big Trade Union boss" is no more than the picturesque phrase of the sub-editor in the popular press.

The stature of a trade union leader is determined by the degree of service he renders to his members and by his own realization that he is the servant of those members. Furthermore, he must retain the trust and respect of his members through personal character and integrity. He must lead wisely and courageously. His office will be short-lived if the members feel that he is out for personal power and prestige or if he forgets that the union is the membership—individuals with constitutional rights within the union.

In any society organizations which win rights for their individual members must accept the consequent responsibilities. Both leadership and the individual membership must be ready to play their part. There will always be the recalcitrant; the person who wants something for nothing, and who works for his own selfish ends: but if a trade union is to succeed, and particularly in the initial stages of its growth, responsibilities must be accepted. A spirit of loyalty must be fostered.

I said that the British Trade Union Movement has had a thrilling history. Its battles, its temporary defeats, and its successes, its ups and downs, make wonderful reading. But the basic lessons of that historic struggle are set out above. They must be learned and applied if real success is to be achieved wherever young Trade Union Movements are struggling to find their feet.

Britain's Monetary System

A Note on the Radcliffe Report

In 1957, at a time of widespread concern over inflationary pressures at home and the strength of sterling abroad, the Government set up a committee "to inquire into the working of the monetary and credit system and to make recommendations." The report of the Radcliffe committee* was published in August. The evidence and memoranda considered at the 88 meetings of the Committee are to be published later.

HOW THE BRITISH SYSTEM WORKS

Not the least valuable part of the Report (and one which is receiving close attention in Britain) is the account it gives of the working of the British system of public finance and the management of money and credit—subjects which hitherto were surrounded by a veil of *mystique* which the textbooks have never entirely penetrated. The Committee makes proposals affecting the relations of the Bank of England and the Government. These are designed to give form to what generally is already the practice: e.g., "in form a Bank Rate change appears a decision of the Court (of the Bank): in practice no change is announced without prior approval of the Chancellor of the Exchequer." Nonetheless the Committee favors a change whereby any Bank Rate decisions are announced explicitly in the name of the Chancellor. The Committee would also like to see "the continuous and confidential exchanges between the Bank and the Treasury" formalized in a standing advisory committee. The Committee shows how in the British system "the policies of the Central Bank must be from first to last in harmony with those of the Government," and in proposing a few changes in the mechanics the Committee declares that "in substance we think there would be little change."

"IDEAS THAT EMERGE"

Of more interest to people abroad may be what the Committee itself describes as "the main ideas that emerge" from its consideration of monetary policy.

There are five of these. First, the limitations of policy. The Committee argues that measures do not by themselves add up to a policy. "They are

*Committee on the Working of the Monetary System—Report Cmnd. 827, 374 pages. Obtainable from BIS Sales Section, price \$2.70 plus 11 cents mailing.

not so much a policy in themselves as a part of one general economic policy which includes among its instruments fiscal and monetary measures and direct physical controls. There is no prescription which determines the proportion in which at any one period these measures should be combined." Not that the Committee likes controls of any sort one bit; but it recognizes that emergencies do occur, and may call for them.

Second. Monetary policy is nonetheless a key instrument in economic stabilization policies and its field of use should be wider than the conventional field of "the supply of money;" its concern should be "nothing less than the state of liquidity of the whole economy." The Committee's Report shows how the theory works out that the level of demand is determined not so much by the supply of cash and the size of bank deposits or the velocity of circulation as by the availability of credit from all sources. It shows how, if one source of credit is cut off, or restricted, there is usually another to be found. The Committee makes a great point of the fact that although there are many sources and types of credit—the banks, the insurance companies, private lenders or other businesses—there is but a single market for credit and that in conditions of excessive liquidity that have persisted since the war the lenders have usually had no difficulty in finding a borrower, and vice-versa. The Committee thinks that the lesson to be learned by authorities whose task in the national interest is, on occasion, to "restrain the level of demand" is that they must survey the whole field of credit with a view to making lending less attractive and borrowing more difficult. It is not enough, say, to restrain the banks or to manipulate the short term rate of interest through adjustment of the Bank rate: they should operate on long term rates too.

INFLUENCING INTEREST RATES

Third, following up the last point, the Committee considers that the proper method for the monetary authorities to follow in influencing the level of demand is still to exert influence on the structure of interest rates. It is often said that interest rates do not, in modern conditions, have a major influence on borrowing plans, but the Committee calls attention to the restraining effect they may have on the *lender*—on occasions when he can meet a persistently strong demand for loans only by selling his less liquid resources (i.e. Government securities) at a loss.

The method of influencing interest rates, commended by the Committee to the monetary authorities, is through the management of the National Debt.

The familiar argument is, briefly, that while cutting Government expenditure or increasing taxation are necessary from time to time, the

Government's needs must in the last resort be met: the Government's debt must be held by someone at any one time. The more it is held in a near-liquid form the more inflationary it is, as short term government paper held by a bank or other institution is as good as cash in the till when it comes to expanding lending operations. The Committee endorses and expounds this as the central problem. The task of the authorities when confronted by it is not merely to fund the debt as when opportunity offers, but to give positive help to the process by making long term securities more attractive. This is done "by finding an interest rate structure that will ensure the desired structure of debt."

The Committee considers the objections to its conclusion that the authorities should take more positive action to raise the rates (keep down the prices) on longer term bonds: it was argued that the Government's credit might be at risk if it was seen to be "boosting" its wares in this way; that there is no clear evidence that higher rates encourage saving (though they were shown by the Committee to have a perceptible effect in delaying private investment plans) and that by drawing off money from the private into the public sector high long-term rates might upset the balance of employment. But the Committee insists that the function of debt management is to take positive action "to push the rate of interest to a level that is high enough to attract sufficient firm holders for the debt and yet is consistent with a balance between demand in the public sector, demand in the private sector and the available resources of the economy."

The Committee concludes: "it is not merely that monetary action and debt management interact so that they ought to be under one control; they are one and indivisible; debt management lies at the heart of monetary control . . . it is not open to the authorities to be neutral in this task. They must have and must exercise a positive policy about interest rates, long as well as short, and about the relationship between them."

NO DOCTRINAIRE APPROACH

The Committee's fourth point is to rub home the need to avoid a doctrinaire approach. A "constant and profound diagnosis of the economy" is called for and the right prescription can only be determined in the light of the facts. Monetary measures (other than the use of interest rates and adherence by banks to prescribed liquidity ratios) such as the control of international capital movements or of instalment buying may have their place in given situations that are less than those of real emergency. In the latter cases the Committee does not rule out wider direct controls of the economy, but they did not consider them in detail as they fall outside their terms of reference.

INTERNATIONAL CONSIDERATIONS

The Committee's final word is on the international role of sterling. Although Britain's external liabilities and assets are an integral part of its economy and financial system, and although movements in these assets and liabilities directly affect the internal balance (specifically, the liquidity of the economy), Britain is not and should not be free to manipulate sterling abroad to her advantage—say, to bring about and increase in her reserves—without regard to the disrupting effects on international trade and payments such a policy might produce. In these circumstances the chief hope and aim of the future must be to ensure sufficient international liquidity through the credit-providing international agencies. And, the Committee Report concludes, even if Britain was free of her responsibilities as the financial center of the sterling area “sterling is too valuable a constituent of the total volume of international liquidity for it to be an admissible object of United Kingdom policy to bring about a limitation or reduction of its use.”

*40 years ago Alcock and Brown made the first flight across the Atlantic. Both men were knighted by King George V for their achievement. The Vickers plane with two Rolls Royce engines was an early forbear of today's Viscounts. A distinguished Canadian who witnessed the start contributes this memoir.**

First Flight to Europe

The two men who first flew the Atlantic non-stop, John Alcock and Arthur Whitten Brown, were honored this year, the fortieth anniversary of their epic achievement. On June 14 1919 they took off from St. John's, Newfoundland, swept out over the Atlantic and landed their Vickers Vimy two-motored biplane in a bog on the west coast of Ireland, 16 hours 27 minutes later. They had flown 1,890 miles at an average speed of 118 miles an hour.

A fourteen-foot monument of Irish limestone, shaped like an airplane fin, was unveiled this June in their honor about a mile and a half from the actual point of landing in Derrygimla Bog, outside the little town of Clifden, on the edge of the Connemara Mountains in County Galway.

The writer had the honor of meeting Alcock and Brown just prior to

*Reprinted with permission from the “Maple Leaf”. Journal of the Canadian Club of New York.

their flight. The late V. S. Bennett acted as a sort of local “manager” for the two aviators. Bennett himself had served with distinction in the R.A.F. in the First World War. The day before the flight Bennett brought Alcock to my father’s house in St. John’s for cocktails, after which we drove up to the small field where the plane was, and found Brown, who was to be the navigator, fussing around with his instruments. Bennett took a photograph of the small group then present, but unfortunately I have lost my print.

The chief reason for the flight—apart from any glory it might bring—was to win a prize of ten thousand pounds offered by Lord Northcliffe, proprietor of the *London Daily Mail*. The prize was for “the first flier to cross the Atlantic from any point in the United States, Canada or Newfoundland to Great Britain within seventy-two consecutive hours.”

There was intense rivalry among aviators for the prize and its accompanying fame. The famous British war aces Harry Hawker and Freddie Raynham were already in St. John’s, respectively preparing a Sopwith Atlantic and a Martinsyde Raymor. Admiral Mark Kerr was there too, in an enormous Handley Page with six in the crew. An American entry, a seaplane, had already crashed in a test flight. The “Atlantic” was off first and dropped into the sea. Hawker and his navigator, Grieve were picked up by a Danish freighter. Freddie Raynham’s Martinsyde started, but crashed in taking off.

Alcock and Brown took off, rather unexpectedly it seemed to us, at 4:13 on Saturday afternoon. Most of us rushed up to Signal Hill, where we saw the flimsy-looking craft, with canvas fuselage and wings, heading out to sea. I seem to remember that they dropped the undercarriage in the harbor, to lighten the load, and one could faintly hear the purr of the two (360 h.p. Rolls Royce) engines fading into the distance.

The Alcock-Brown flight was surely one of the most gruelling ever made. (It was eight years before Lindbergh’s momentous solo flight.) Beset with hazards unheard of today, and flying much of the way by dead reckoning, they accomplished the then seemingly impossible. On Sunday morning, June 15 1919, the people of Clifden, County Galway, were startled by the noise of a strange machine which came winging in from the Atlantic, its pilot obviously seeking a place to land. Below was a green patch which from the air might have looked like a flat meadow. It was actually the bog. The Vickers Vimy descended and squashed its nose into the ooze, at an angle of 45 degrees. Alcock, the pilot and Brown, the navigator, stepped out of the cockpit uninjured and waded toward the impromptu and excited welcoming committee. The prize was won.

H.A.A.

The only publications which British Information Services sell are those published by Her Majesty's Stationery Office. The books below are usually kept in our library and may be read in our reading room or borrowed on the Inter-Library Loan.

Book Reviews

British Policy in Changing Africa by Sir Andrew Cohen (Routledge and Kegan Paul, London, 1959, 118 pages, 12s; Northwestern University Press, Evanston, Ill., 1959, 144 pages, \$4.50).

Sir Andrew Cohen (who has contributed an article to this issue of *British Affairs*) brings to this book an unrivalled experience in the framing and execution of British policy in Africa stretching over twenty-five years. Sir Andrew rose to be Assistant Under-Secretary of State in charge of the African Division of the Colonial Office and from 1952 to 1956, Governor of Uganda. The results of this experience were distilled into a series of four lectures given in April, 1958, at the invitation of the Harris Foundation Trustees, at Northwestern University. They have now been published, with a foreword by Mr. Adlai Stevenson.

Two of the lectures, the first and the third, are devoted to essential background. The first is mainly historical and in it Sir Andrew traces the development of European interest in Africa and the way attitudes to Colonial problems developed slowly in the pre-war period because of the assumption on the part of Governments that "there was indefinite time ahead." In that period international opinion (including The League of Nations) "tended to be more concerned with the protection of the people of the African Territories from abuses or wrong exploitation than with the problems of building up African nations." The third lecture entitled, "The Task of Government," describes British colonial administration and administrators, the jobs which have to be done, the way they are done, and the way in which the various elements of the administration fit into the pattern of the whole. This lecture should be "must" reading for any student of the subject, and, indeed, for anyone even remotely interested in it.

But in the light of what is happening in Africa today the second and fourth lectures are, perhaps, of more immediate interest. In the second, Sir Andrew shows how constitutional progress depends on what he calls interrelated pressures. By this he means not only the pressures exerted by government in the early stages and the pressures from nationalists on government, which are designed in one way or another to speed up the achievement of self-government, but also pressures from missionaries, settlers, business men, and, indeed, from all other interested groups. The balance of these pressures and the attitude to them of the governmental authority are analyzed. Highly instructive passages are included on tribalism and tribal loyalty, and on nationalism and the role of the nationalist leader.

The fourth and final lecture discusses the problems of, for example, low productivity, lack of an individual land tenure system, lack of balance in the

economy, lack of technical knowledge and skills which still face the development of the African economy. The objects to which outside aid can properly be directed, and the motives which should govern the provision of such aid very properly form a part of this discussion. Sir Andrew reaffirms his belief, increasingly shared both in the United States and in Britain and one which it would be hard to challenge, that British and American interests in Africa are fundamentally similar. What is needed is the abandonment of such "out-of-date appurtenances" as paternalism on one side of the Atlantic and anti-colonialism on the other so that understanding of each other and of the nature of the task will enable us to cooperate in developing self-government in Africa.

£ £ £

Know Your Ministry (Europa Publications, London, 1959, 248 pages, 25s.)

The articles which provide the substance of this book appeared in successive issues, from August 1956 to August 1958, of the *Midland Bank Review*. They set out to describe, not for the constitutional expert, but rather for the ordinary layman, in particular the businessman, the structure and responsibilities of a wide range of Government departments—in fact, the Treasury, the Board of Trade, the Ministry of Agriculture, Fisheries and Food, the Ministry of Labor and National Service, the Post Office, and basic services such as Power and Atomic Energy, Transport and Civil Aviation, Works and Housing, and Scientific and Industrial Research. A final article brings together short notes on other official organizations whose activities may touch at some point on the conduct of business, for example, the Ministries of Education, Health, Pensions and National Insurance, the Stationery Office, and the Public Works Loan Board.

When the articles first appeared they aroused widespread interest. It was not that Whitehall had secrets to reveal: just that no one in a long time had taken so much trouble to find out what 'went on.' Hence the decision to make them available in a single volume (with the necessary revisions to bring them up-to-date). In the last twenty years the power of Government departments to influence the policies of business firms and the lives of the ordinary citizen has greatly increased. It is particularly welcome therefore to have a factual but readable study of the organizations and functions of the departments most closely in contact with the general public.

£ £ £

Science in the Development of Africa by Edgar Barton Worthington (Commission for Technical Cooperation in Africa South of the Sahara (C.C.T.A.) and the Scientific Council for Africa South of the Sahara, (C.S.A.) 1958, 462 pages, 30s.)

Dr. Worthington's book, written at the request of the member Governments of C.C.T.A. (Belgium, the Federation of Rhodesia and Nyasaland, France, Ghana, Liberia, Portugal, the Union of South Africa, and the United Kingdom), replaces his earlier volume "Science in Africa," published in 1938 as a com-

panion volume to Lord Hailey's "African Survey." The twenty years which have elapsed between publication of the two books have seen more scientific and developmental work in Africa South of the Sahara than did the whole period before 1938. An account and an evaluation of this work is due and Dr. Worthington is the man to give it. For he spent much time in Africa, first as scientist to Lord Hailey's "Survey," and, later, after the war, based in East Africa and the Belgian Congo for nine years during which he prepared a development plan for Uganda, organized research for the East Africa High Commission, and, from 1950 to 1955, was Secretary General of the C.S.A.

The book itself is written in an easy, non-technical, style, and is, according to one reviewer, "the best value the scientist has given the ordinary layman for a long time." It seeks to consider each subject in the light of its foundations in fundamental science and the sequence of argument is built up from the physical to the biological and finally to the human element of his subject. The achievements in Africa of the French, Belgians, British, Portuguese, South Africans and the Africans themselves are compared and contrasted. Dr. Worthington's lively approach to his subject occasionally leads him to express opinions which will not be generally accepted but these, and the number and variety of examples with which he illustrates his points, cannot help but stimulate the reader and hold his attention.

The very useful appendices include one covering scientific institutes, organizations, and services in Africa South of the Sahara; a bibliography (which, unfortunately, only goes to the middle of 1956) maps, photographs, and an excellent index are also included.

£ £ £

Adventure in Oil—The Story of British Petroleum by Henry Longhurst (Sidgwick and Jackson, London, 1959, 286 pages, 21s.)

This is the story of an enterprise (the Anglo-Persian Company from 1909 to 1935, Anglo-Iranian from 1935 to 1954, and now British Petroleum) which began at the turn of the century with a few pioneers in the barren wastes of south-west Persia and which now in its fiftieth year, produces, sells, or searches for oil in almost every country of the free world.

The author presents the story not of a company but of people. There is the drama of the first oil strike at Masjid-i-Sulaiman on the night of May 26, 1908, which was to change the course of Middle East history and the shape of the world oil industry. There is the story of men, alive today, who marked out with calico the route for the first pipeline in the Middle East and sailed over the water-logged island of Abadan, where they later built the biggest refinery in the world with a community the size of Salt Lake City. These men have lived to see more than 30 million tons of oil flow down the pipeline in a single year. Their successors have spread the Company's operations onto all five continents and sailed a tanker fleet rivalling in tonnage the company's first important customer, the Royal Navy of 1914, when its first Lord was Mr. Winston Churchill.

In his foreword to this book, Sir Winston describes these early oil men as merchant venturers. The reader, following the trail of discovery first in

Britain and Persia, and then in Europe, Australia, Aden, Iraq, Kuwait, Papua, the Canadian Rockies, and Trinidad may well consider that their successors are engaged also in no mean venture.

Mr. Longhurst, the author, was a Member of Parliament. He has met many of the characters in the British Petroleum story, especially in the Middle East during the last 15 years. He thus adds a grasp of practical affairs to his talents as an author and journalist. The result is an absorbing narrative of the men who built and conduct one of Britain's greatest overseas commercial enterprises.

£ £ £

The British Budgetary System by Sir Herbert Brittain (George Allen & Unwin, 1959, 320 pages, 25s.)

After 40 years in the public service of which the last ones were spent as "Director of the Budget"—or as near as may be to the British equivalent of the American Budget director—Sir H. Brittain is well qualified to write what he modestly claims as no more than a "descriptive and expository" work.

British Budget procedures are quite different from those in the United States. The differences are dictated to some extent by the quite different relationship between executive and legislative arms of Government. To that extent they may seem irrelevant to American readers, but to students of comparative economic, financial and fiscal systems this will be a standard work for many years to come.

Sir Herbert works backward, so to speak, from the broad intentions of Budget policy as a factor in the economic balance of the country, to the detailed calculations that go to make up the Budget, the structure and financing of the national debt and the control of public expenditure.

The experience of all these factors in the life of any one country will have lessons for all other countries. The British system of "Treasury control" of all the expenditure of the different departments of government is described and the author explains the central position of the Treasury department in the whole administrative system. The relation of Treasury control and Parliamentary control of expenditure—a subject under keen discussion in Britain today—is also exposed. The supremacy of Parliament is documented and acknowledged and yet the claim that "public policy has never been frustrated by Parliament" is also substantiated. Parliament and the administration combine to operate an essentially flexible system, recognizing that Budgetary policy today is the principal rudder and stabilizer too for the ship of state.

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A Passage To England by Nirad C. Chaudhuri (Macmillan, 1959, 230 pages, 18s.)

This is an extraordinary book, even an unbelievable book—not in respect to its contents but as to its having been written at all. For it is a study of the British by a Hindu, who until the 57th year of his life had never been to England. Nor had he contact in any degree with the British in India. It is the

result of a lifetime study by a natural scholar, whose judgment and erudition applied to a civilization alien to his own gives us a lucid and entirely fresh picture of the English. It is quite a short book, containing only the cream of his impressions. One hopes that one day he will attempt a fuller study, not only of the English but of the West generally.

Mr. Chaudhuri has no great interest in what he calls "those ugly little cuckoo-twins of politics and economics" whose "Mother Church is the London School of Economics . . . Hinduism will one day have to settle its score with this institution . . ." He also speaks coolly of the present tendency of the world to exchange its cultural exhibits, athletes, and all the rest: his devotion is to what he finds deepest and best in the world's heritage, and his concern is its preservation against the acids of modernity. He came to England with a very deep knowledge of European culture and of English history and institutions in particular. This visit, together with a brief tour in France and Italy arranged for him by the B.B.C. was the occasion for this book. His travelling in comfort and meeting the people most likely to share his cultural interests may have tinged his observations with an enthusiasm which might be less in the case of a lone traveller making his way among strangers; this Mr. Chaudhuri admits. But if his enthusiasm is at times a little overwhelming he gives well argued reasons for every attitude he adopts. Each step of the way he checks experience with expectation, and entertains his readers by delightful but penetrating illustrations of differences in, for example, the outlook of the Hindu and the product of the West on such questions as money, marital relations, religious thinking, and the attitude to and appreciation for the treasures—artistic and other—which each civilization has inherited from its past.

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Trends in English Adult Education edited by S. G. Raybould (Heinemann, London), 1959, 255 pages, 21s.)

Hitherto no full-scale review of recent developments in English adult education has appeared. Professor Raybould, Dean of Extra-Mural Studies at Leeds University and his colleagues, all of whom are actively engaged in adult education, have brought together an up-to-date account of the changes taking place and the questions arising from them.

The review covers such topics as the role of the Workers Education Association in the Welfare State, changes in trade union education, new forms of university work in the adult education field, the growth of short-term residential colleges, issues in educational broadcasting and the organization and finance of adult education.

Adult education suffers the defects of modern democracy from which it springs. As Roy Shaw points out in his chapter on Controversies, adult education cannot ignore the very people it caters for, yet the question always arises to what extent must it compromise with the best standards if it is to reach the mass of its devotees. For anyone who wants an up-to-date knowledge of the adult education field in England and the problems taxing those dedicated to its service, this book will be the source he will go to.

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